

# Budget Issues Summary

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## Fiscal Year 2007

The General Fund revenue estimate increased by \$43.83 million up to \$2,706.33 billion, compared to a \$2,662.50 billion projection just five months earlier during the August 2006 special session. With the one cent sales tax increase that began in October 2006, revenues were projected to increase by 11.3% over fiscal year 2006. By the end of May, revenues were running \$85 million ahead of projections with a surplus in individual income taxes, and with some softening in corporate income and sales tax collections.

The Legislature actually returned more money to the General Fund during the supplemental process than was paid out. Due to decreasing caseloads in Medicaid and delays in opening a new correctional substance abuse treatment facility, \$16.75 million from the General Fund was returned. An additional \$4.57 million was appropriated for deficiency warrants for fires, pests and hazardous materials cleanup; and \$7.27 million was appropriated in supplementals primarily to the Department of Correction, Department of Health and Welfare, and the State Board of Education. Overall, the General Fund budget for FY 2007 totaled \$2,595,086,800, which is a 16.3% increase over the previous year appropriation. Two-thirds of this increase is due to the larger public schools budget as a consequence of removing the maintenance and operations levy from property taxes during the special session and adding it to the state General Fund.

The Legislature continued to dedicate excess cash balances to one-time expenditures rather than dedicating any of the funds to ongoing program expansions. Just over \$99 million was transferred to the Permanent Building Fund for alterations and repairs and new building projects in FY 2008. Another \$5.2 million was transferred to the Capitol Building Income Fund to restore historic furniture and buy new furnishings for the return to the renovated Capitol Building. A year-end balance of \$139,440,600 is projected to carryover into FY 2008.

## Fiscal Year 2008

The FY 2008 General Fund budget is based on a revenue estimate of 3.75%, which is the estimate of the Division of Financial Management and was accepted as the recommendation of the Legislature's Economic Outlook and Revenue Assessment Committee. The spending plan approved by the Legislature reflects an 8.8% increase over the original FY 2007 appropriation. Within the maintenance area of the budget, state agencies received the restoration of funding for a health insurance premium holiday removed last fiscal year, minor increases for contract inflation, full funding for replacement items, 5% change in employee compensation, statutory increases for Medicaid and foster care payments, and higher education workload enrollment adjustments.

Among the few new ongoing programs approved through the budget process were mental health and substance abuse treatment programs as an approach to stem the increasing prison costs associated with the lack of alternatives for the mentally ill and addicted, ongoing moneys to expand the community college system, and a new needs-based scholarship program for higher education. Public schools received statutory increases for 250 new support units, a 3% change in employee compensation that included an increase in minimum teacher salary, new funding for textbooks, classroom supplies, and remedial instruction for students not meeting state standards. Public schools received \$22 million of the total \$51 million approved for ongoing spending through line items in the FY 2008 budget.

Finally, the Legislature transferred \$60 million to the Economic Recovery Reserve Fund, with a limited amount appropriated in case something occurs that could precipitate economic instability. The funding transferred into the Economic Recovery Reserve Fund is also intended for the Governor and Legislature to address prison space needs during the next budget cycle. Current estimates leave \$32,724,000 as an ending General Fund balance for FY 2008.

## Department of Health and Welfare

The General Fund appropriation for the Department of Health and Welfare increased from \$497.8 million in FY 2007 to \$544.8 million in FY 2008. This level of funding represents an increase of \$46.9 million, or 9.6% over the department's fiscal year 2007 total appropriation from the General Fund. Of the total \$46.9 million in new dollars, \$25 million or 53% of the increase was for Medicaid.

The department recorded \$7.2 million for a General Fund carryover from FY 2006 into FY 2007 and was provided three General Fund supplemental appropriations for FY 2007:

- ✓ \$750,000 for replacement of Temporary Assistance for Needy Families (TANF) funding for the Immunization Registry Information System (IRIS) and vaccine education outreach funding.
- ✓ \$830,100 for a Center for Medicare and Medicaid audit of state Medicaid staff funding.
- ✓ \$301,600 for modifications due to the Health Insurance Portability and Accountability Act (HIPAA) national provider identification requirements.
- ✓ \$13.6 million mid-year reversion of General Fund money from the Medicaid budget, due to a drop in actual Medicaid caseload and utilization.

### Mental Health and Substance Abuse

Discussions regarding health and human services during the 2007 session were largely focused on improving mental health and substance abuse delivery systems. A resolution adopted in 2006, HCR63, authorized an interim committee to study the current delivery systems. The recommendations of that committee all passed during the 2007 session, as did other legislation to create the Office of Drug Policy, expand the authority of judges related to treatment orders, and expand participant capacity of drug and mental health courts. New funding for statewide substance abuse and mental health treatment for 2008, detailed below, totals \$11,569,740.

**S1143** modifies the regional Mental Health Board Grant Program to broaden the scope of such grants to include multiple-agency, multiple-year programs to address mental health as well as substance abuse needs. The grants will be made on a competitive basis by a board consisting of membership from the Department of Health and Welfare, Department of Juvenile Corrections, Department of Correction, and the Courts. One-time funding of \$2 million and \$1,400,000 in ongoing funding was appropriated from the General Fund.

**H310** appropriates \$6,500,000 in ongoing funding from the General Fund for substance abuse treatment statewide. The Department of Health and Welfare was at the end of a three year federal grant for substance abuse treatment, and the Joint Finance-Appropriations Committee approved the replacement of the federal funds.

**S1142** and **S1149** create more options for judges to order substance abuse and mental health assessments and community-based treatments for juvenile offenders with substance abuse addictions, and adults and juvenile offenders in need of mental health treatment.

**SCR110** establishes the Idaho Psychiatry Residency Program, a joint financial effort of several institutions. The Veterans Affairs Medical Center has committed to fund 30% of the cost. St. Luke's Regional Medical Center and St. Alphonsus Regional Medical Center, both of Boise, have each committed to fund 30% of the cost, and the state of Idaho was asked to fund 10% of the cost. The program will ramp up over a five-year period, and \$40,640 was appropriated from the General Fund for the first year.

**H325** appropriates \$3 million in one-time funding from the General Fund for the design and planning of a secure mental health facility currently required by Section 66-1304, Idaho Code.

**H180** appropriates \$1,830,600 in dedicated funds from the liquor tax for the addition of 275 slots for drug and mental health courts statewide.

**H293** expands the Cottonwood Substance Abuse Treatment Facility to full capacity, adds 19 staff for mental health treatment within Department of Correction, and replaces lost federal substance abuse grant funds. Appropriated \$1,769,600 in ongoing funding from the General Fund.

**S292** appropriates \$111,000 in ongoing funding from the General Fund for the expansion of a Juvenile Mental Health Court within the Judicial Branch budget.

**S1209** appropriates an additional \$389,000 from the General Fund for juvenile substance abuse and mental health treatment at the county level through county probation offices.

**H319** appropriates an additional \$947,700 from the General Fund for children's mental health treatment statewide.

**H310** establishes the Office of Drug Policy, creates a new substance abuse budget request format to allow for statewide coordination, and changes the authority of the Interagency Substance Abuse Committee to direct the Department of Health and Welfare regarding statewide substance abuse treatment and prevention programs. Ongoing funding of \$250,000 from the General Fund and one-time funding of \$145,000 from dedicated funds was provided.

**SCR108** outlines a plan for the Legislature to hire an independent contractor to review Idaho's current mental health and substance abuse system and create an implementation plan for filling gaps within the system. The contractor(s) will assess treatment capacity, cost, eligibility standards and areas of responsibility, then make recommendations for how to improve Idaho's current system by creating appropriate oversight and service levels for a state system.

The Legislature's Health Care Task Force will be the oversight body for the implementation plan and the results of the plan will, at a minimum, be reported to the Health and Welfare and Judiciary and Rules germane committees during the 2008 legislative session. One-time funding of \$250,000 from the General Fund was appropriated.

## Public Schools

The General Fund appropriation for public schools increased by 5.9% for FY 2008, from \$1.29 billion to \$1.37 billion. The total appropriation, including all funds, increased by 8.3%, from \$1.52 billion to \$1.64 billion. Base salaries were increased by 3% for teachers, administrators and classified staff. In addition, the Legislature increased the minimum teacher salary from \$30,000 to \$31,000. The Legislature also funded 250 new support units for FY 2008 in order to keep pace with student enrollment growth as projected by the state Department of Education. Key issues in the appropriation bills for public schools include:

**S1234 Administrators:** General Fund increase of 4.3% and total funds increase of 4.7%. Funded statutory increases for enrollment growth. The estimated experience/education index for administrators is fully funded for FY 2008. Administrators received a 3% base salary increase. S1234 amends Idaho Code to provide for a more rapid distribution of appropriated state dollars to public schools. This "frontloading" of funds will result in approximately \$6.75 million in additional statewide interest earnings for public schools. S1234 also amends Idaho Code to increase the maximum amount of annual growth in any individual public charter school from 20 support units to 30.

**S1235 Teachers:** General Fund increase of 5.3% and total funds increase of 6.7%. Funded statutory increases for enrollment growth and reflected decreased participation in the Master Teacher Awards program. The estimated experience/education index for teachers is fully funded for FY 2008. Teachers received a 3% base salary increase, and a 3.3% increase in the minimum teacher salary, from \$30,000 to \$31,000. The Legislature also provided \$5.18 million requested by the Superintendent of Public Instruction for classroom supplies, which equals approximately \$350 per teacher, and \$500,000 for training teachers to offer additional advanced placement (AP) courses, as required by the high school redesign rule of the State Board of Education.

**S1236 Operations:** General Fund increase of 4.3% and total funds increase of 5.4%. S1236 provides nearly

\$10 million in new funding for textbook purchases, as requested by the Superintendent of Public Instruction. This equals approximately \$50 for each secondary student and \$25 for each elementary student. There is also approximately \$3 million provided from the Public Education Stabilization Fund for the second year of the planned five-year phase-out of the unequalized agricultural equipment personal property tax replacement funds. Also, by funding Idaho Standards Achievement Test (ISAT) remediation directly in S1237, the full \$9.8 million appropriated for technology will be used exclusively for technology (over \$800,000 was previously used for remediation). While this budget does not provide a meaningful increase in the amount of discretionary funds that the state provides directly, public schools will see increases in the amount of discretionary money available at the local level. Both the passage of H1 in August 2006 and the “frontloading” of state distributions in S1234 will result in additional interest earnings for public schools (\$4.2 million and \$6.75 million, respectively). This will have the effect of increasing effective local discretionary funds by 3.1% per support unit. In addition, direct state line-item funding for classroom supplies, textbooks and ISAT remediation will have the effect of freeing up local discretionary dollars previously spent on these items. For a local district in which state line items fully displace local funds, the effective discretionary funds increase, in conjunction with the additional interest earnings, will be approximately 8.9%. S1236 also amends Idaho Code to provide for a more regular, predictable process and standards for school districts seeking waivers from application of the cap on pupil transportation costs, and provides \$100,000 in one-time money to study challenges facing rural schools.

**S1237 Children’s Programs:** General Fund increase of 45% and total funds increase of 25.9%. In addition to statutory funding increases for Border Contracts, Exceptional Contracts/Tuition Equivalencies, and the Marian Pritchett program, S1237 increases dedicated funds for Safe & Drug-Free Schools, from \$5.5 million to \$7.0 million, to make up for a reduction in federal funds. It also amends Idaho Code to provide for a funding formula for the Idaho Digital Learning Academy (IDLA). Prior to this, IDLA was funded by JFAC on an ad hoc earmark basis. It is estimated that this funding formula will provide IDLA with \$2.8 million in FY 2008, which is the amount provided in S1237. S1237 also charges IDLA with helping to meet two of the requirements of the State Board of Education’s high school redesign rule, by providing additional advanced placement (AP) and dual college credit courses. There is also a new appropriation of \$5 million to help provide remedial instruction for students who fail to achieve proficiency in the ISAT, contingent on one dollar in local funds being pledged for every two dollars in state funds provided, and \$350,000 in one-time money to develop a Math Initiative, along similar lines as the Idaho Reading Initiative (IRI).

**S1238 Facilities:** General Fund increase of 123.6% and total funds increase of 43.6%. S1238 appropriates \$11.2 million for bond levy equalization. For the first time, the full cost of the bond levy equalization program is being paid by a General Fund appropriation, which will allow the public schools’ full share of state lottery proceeds to go towards school building maintenance. As a result of this, and in conjunction with increasing lottery distributions and a carryover balance in lottery funds, schools will receive a record \$19.1 million in lottery proceeds in FY 2008, an increase of 78% over the amount appropriated in FY 2007. This surge in lottery distributions has actually reduced the amount of additional money that the state must supply to meet its school facilities maintenance match formula obligations, from \$5.65 million to \$2.3 million. S1238 also amends Idaho Code to provide for a 1.81% inflationary adjustment in the replacement value of school buildings, under the school facilities maintenance match formula, and to allow for Bond Levy Equalization payments to be made on school district refinancing bonds, if the bond being refinanced was passed after September 15, 2002.

## College and Universities

The FY 2008 appropriation for the four institutions in the state’s college and universities system reflects a 5.8% increase over the FY 2007 original appropriation. The appropriation provides funding for replacement items, statewide cost allocation, and a 5% change in employee compensation. Four line items were included in this budget:

**New Programs:** Four and a half full-time equivalent positions (FTPs) and \$299,000 for one faculty position for Idaho State University’s Boise Fast Track nursing program, and three nursing faculty positions and a half-time position for Lewis-Clark State College.

**Occupancy Costs:** \$103,900 for occupancy costs for Boise State University's new Interactive Learning Center, and \$200,000 for occupancy costs for Idaho State University's new Rendezvous Center.

**Nursing Initiative:** \$165,000 in one-time funding for the purchase of simulation mannequins (\$55,000 each) for Boise State University, Idaho State University and Lewis-Clark State College. Simulation mannequins are advanced, portable patient simulators. Their realistic anatomy and clinical functionality provide simulation-based education to test students' clinical and decision-making skills during realistic patient care scenarios.

**Research Grants:** \$1,560,000 in one-time funding for competitive research grants for projects specifically aimed at economic development. These grants will be awarded by the Higher Education Research Council (HERC).

## Community Colleges

The FY 2008 appropriation for the state's two community colleges reflects a 6.6% increase over the FY 2007 original appropriation. The appropriation provides funding for replacement items, a 5% change in employee compensation, and enrollment workload adjustment. Two line items were included in this budget:

**Nursing Program Expansion:** \$241,000 to College of Southern Idaho for two full-time and two part-time registered nursing instructors and a health career advisor position, and \$60,000 for North Idaho College to increase the number of adjunct clinical faculty and to lease an outreach center clinical site in Sandpoint.

**Workforce Development:** \$56,600 to College of Southern Idaho for a workforce development coordinator and \$85,000 to North Idaho College for on-site workforce instructor training.

## Department of Correction

The General Fund appropriation for the Department of Correction increased from \$144.4 million in fiscal year 2007 to \$164.8 million in fiscal year 2008. This level of funding represents an increase of \$20.4 million or 14.1 percent.

The appropriation includes the base amount of \$163,655,900, plus \$2,006,400 in inflationary adjustments for the medical services contract (\$1,177,000), the private prison contract (\$678,800), and increased rent costs for Community Supervision and Community Work Centers (\$150,600).

Also included in the maintenance level funding is \$2,197,100 for replacement items; \$115,200 for changes in the statewide cost allocation plan for Attorney General, State Controller, State Treasurer, and risk management fees; and \$6,372,700 in annualizations. Annualizations include \$2,508,600 for the Correctional Alternative Placement Program, \$1,507,000 for the 242-bed expansion at the privately operated state prison, \$1,253,600 for changes made in the medical services contract, \$905,500 for county and out-of-state placements, and \$198,000 for supplementals. In addition, \$3,313,000 was provided for a 5% change in employee compensation.

Major line items adopted in this budget, include:

- ✓ \$1,025,400 and seven positions to implement the web-based Correctional Integrated System (CIS).
- ✓ \$721,200 and 12 positions to make the North Idaho Correctional Institution at Cottonwood a full treatment facility.
- ✓ \$168,800 that was shifted from federal funds to the General Fund for continued support of residential substance abuse treatment at the South Idaho Correctional Institution in Boise and at the Idaho Correctional Institution in Orofino.
- ✓ \$467,600 for seven probation and parole officers, one per district, and \$879,600 and 19 new positions to enhance mental health treatment services in the prison system.

- ✓ \$406,500 to construct a 2,000 square ft. facility to provide the programming space needed for offenders housed at the South Boise Women's Correctional Center.
- ✓ \$449,000 in federal spending authority to implement the Statewide Automatic Victim Information and Notification program.
- ✓ \$270,600 in dedicated spending authority to add four probation and parole officers to monitor offenders being diverted to drug and mental health courts, and \$160,000 for two probation and parole staff to monitor offenders being diverted from prison to local community-based services, pursuant to S1143.
- ✓ General Fund carryover authority was granted to replace a loss of federal funding for the Maintaining Dignity in Idaho Jails Grant, to conduct a criminal justice study, and to cover one-time expenses related to moving offenders diagnosed with acute mental health disorders from the maximum security prison to Unit 16 at the Idaho State Correctional Institution.

## **Department of Commerce and Department of Labor**

**H222** separates the Department of Commerce and Labor into two agencies, i.e. the Department of Commerce and the Department of Labor.

**H330**, in part, transfers \$60 million from the General Fund to the Economic Recovery Reserve Fund at the beginning of fiscal year 2008. The bill appropriates \$15 million of the \$60 million transferred on a contingency basis for a six-month period before the Legislature returns for the 2008 session.

**H335** provides \$180,000 from the General Fund and two positions to the Department of Labor to implement the provisions of H155aa, which establishes the Nursing Workforce Advisory Council and the Nursing Workforce Center to study the state's nursing needs.

## **Transportation Department**

The Idaho Transportation Department's (ITD) fiscal year 2008 budget includes three line-item additions: \$591,600 in primarily federal funds, reflecting increases stemming from reauthorization of the federal Transportation Act for public transportation grants; \$1,765,000 in dedicated funds to complete construction of a new District Four facility in Shoshone; and a shift of \$3,500,000 from replacement items to contract construction and right-of-way acquisition.

**H336** provides bonding authority for the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds to finance up to \$250 million for six highway transportation projects. The bill allocates a range of expenditures for each project, as indicated below:

- ✓ U.S. Highway 95, Garwood to Sagle, Kootenai and Bonner Counties - \$23,000,000 to \$77,097,000
- ✓ U.S. Highway 95, Worley North, Kootenai County - \$11,168,000 to \$12,000,000
- ✓ Interstate Highway 84 to Emmett - \$4,326,000 to \$17,000,000
- ✓ Interstate Highway 84, Caldwell to Meridian - \$58,120,000 to \$126,000,000
- ✓ Interstate Highway 84, Orchard to Isaacs Canyon - \$28,000,000 to \$30,019,000
- ✓ U.S. Highway 30, McCammon to Soda Springs - \$38,387,000 to \$40,000,000

The bill includes language allowing ITD to adjust the allocated amounts among the six listed projects when necessary due to unanticipated circumstances. The bill also provides that all allocations of GARVEE bond proceeds on and after July 1, 2008, shall be the sole responsibility and duty of the Idaho Transportation Board.

## Permanent Building Fund Projects

**H325** approves a one-time transfer of \$98,363,600 from the General Fund into the Permanent Building Fund, providing resources to more aggressively address repairs and maintenance of state-owned facilities and for various other capital projects. The Legislature appropriated a total of \$137,974,000 from the Permanent Building Fund, \$69,558,900 for repair and maintenance projects and \$68,415,100 for the following 12 capital projects:

- ✓ \$12,019,500 for a secure facility to house the operations of the Idaho State Police in Coeur d'Alene. This facility will help consolidate and co-locate existing ISP programs that are currently scattered in separate facilities several miles distant from one another.
- ✓ \$750,000 for a renovation of the Idaho Falls Armory.
- ✓ \$770,000 for an addition to the Pocatello office of the Department of Fish and Game.
- ✓ \$1,000,000 for a new laundry facility for the Department of Correction at the South Idaho Correctional Institution. The new facility is necessary to meet current capacity needs and will provide improved security.
- ✓ \$1,414,000 for the Department of Health and Welfare for the renovation of the Utility/ Storage Building at State Hospital South.
- ✓ \$10,000,000 for the University of Idaho for a new dairy research facility i.e. the Center for Livestock and Environmental Studies (CLES). This bill includes intent language that this appropriation is contingent upon Congress amending the Morrill Act allowing the sale or exchange of Agricultural College Endowment Lands. Intent language also states that upon amendment of the Morrill Act, the University is required to seek final authorization and approval to move forward with the construction of CLES from the State Board of Education, the University's Board of Regents, and the Joint Finance-Appropriations Committee.
- ✓ \$37,111,600 for two health sciences-related facilities:
- ✓ \$16,000,000 for Lewis-Clark State College for a new Health Sciences Building. This facility of approximately 50,000 square feet will be comprised of laboratory and specialized classroom space as well as faculty offices, conference rooms, and general-use classrooms.
- ✓ \$21,111,600 for a new Health Sciences and Human Services Building at the College of Southern Idaho. This facility will provide approximately 67,000 square feet for classroom, specialized health science labs, conference rooms, offices and faculty.
- ✓ \$900,000 to complete the Biological Safety Level 3 Laboratory (BSL-3) in Boise. This appropriation will be combined with federal funds to complete the Laboratory.
- ✓ \$3,000,000 for the Department of Correction to begin planning for new facilities related to the security medical program.
- ✓ \$150,000 to expand the experimental fish rearing capacity for the University of Idaho's Hagerman Fish Culture Experiment Station.
- ✓ \$1,300,000 to complete the 300-bed pod at the Idaho Correctional Center.

## Department of Administration

**H327** authorizes the FY 2008 transfer of \$2,440,000 in dedicated funds and 23 positions from the Public Safety Communications Program to the Military Division. This trailer appropriation bill is in response to H305, which authorizes the transfer of the Public Communications Program and the Emergency Communications Commission from the department to the Military Division.

## Department of Parks and Recreation

**S1212** provides \$43,763,900 for the FY 2008 budget for the Department of Parks and Recreation and the Lava Hot Springs Foundation. Highlights of the bill include \$7,596,500 for replacement items and general capital improvements at parks across the state. The bill also includes \$3 million to obtain a bridge at Eagle Island State Park. The bridge will permit a new entrance into the park and will accommodate heavy equipment related to gravel extraction and park development. The bill includes funding of approximately \$2.9 million for the purchase of land along the Snake River for a new state park in eastern Idaho. However, the governor used a line-item veto to eliminate part of the funding for that purchase and thereby effectively stopped the land purchase.

## Department of Agriculture

**S1207** provides \$41,774,100 for the FY 2008 budget of the Department of Agriculture. The budget provides \$100,000 for a nematologist to deal with the potato cyst nematode problem in eastern Idaho and potentially statewide. It includes \$4 million one-time funding for the next round of treatments for the Eurasian Watermilfoil statewide. The budget also includes additions for an agricultural investigator, animal control districts, Ag in the Classroom, and funding for two pickups for the confined animal feeding operation investigators added last year. Finally, the budget provides \$5 million for a noxious weed initiative to be spent over a two-year period, \$1 million of which is ongoing and remains in the base.

**S1168** provides \$200,000 in additional FY 2007 spending authority from the Quality Assurance Laboratory Services Fund. This supplemental appropriation allows the laboratory to spend revenues generated through a contract for services with the U.S. Department of Agriculture for soil tests performed by the lab to determine the presence of the Potato Cyst Nematode (PCN).

**S1034** transfers \$124,400 from the General Fund to the Pest Control Deficiency Fund in FY 2007 to reimburse actual expenditures as follow: \$17,000 for gypsy moth survey, \$103,600 for exotic pest survey, and \$3,800 for un-reimbursed costs of potato cyst nematode survey.

## Department of Water Resources

**S1205** provides \$25,538,600 for the ongoing operations of the Department of Water Resources. It includes the transfer of 11 positions and \$732,900 from the Snake River Adjudication program to the Water Management program, and it removes two positions in the Energy Division due to the elimination of federal funding by the U.S. Department of Energy. It provides for 2,177 square feet of additional lease space at the Water Center for future growth. The bill provides a lump-sum appropriation for the Northern Idaho Adjudication and includes legislative intent that work on the Northern Idaho Adjudication be limited to the Rathdrum Prairie and cross-border issues for fiscal year 2008. This language will not stop the commencement of the adjudication of the Coeur d'Alene/Spokane River Basin, but will reinforce the Legislature's desire to support plans of the Department of Water Resources to focus on the lower sub-basin this first year.

**H316** transfers \$690,000 from the General Fund to the Idaho Economic Development Biofuel Infrastructure Matching Grant Fund. This is a trailer bill to H150 to provide first-year funding for the 50/50 matching grant program for Idaho retail fuel dealers who choose to invest in qualified fueling infrastructure projects dedicated to providing biofuels to their customers. The program is housed in the Division of Energy in the Department of Water Resources.

**H317** provides \$557,000 one-time from the General Fund to the Department of Water Resources for the purpose of administering water rights from sources hydraulically connected to the Eastern Snake River Plain Aquifer. This is a trailer bill to H241, which amends the statute relating to who will pay for updating the groundwater model, updating the surface water modeling tool, updating accounting for water rights, and for monitoring conditions of the Eastern Snake Plain Aquifer. This appropriation is for the full amount of the estimated fiscal year 2008 costs, which will give the Department of Water Resources and the water users a one-year window of opportunity to refine the apportionment of costs between the surface water diversions and the groundwater diversions.

**H320** transfers \$638,000 from the General Fund and \$212,000 in dedicated funds for a total of \$850,000 to the Water Board's Water Management Fund. This is a trailer bill to HCR28, which recommends approval of funding for technical studies, facilitation services, and interim measures as described in the Eastern Snake River Comprehensive Aquifer Management Plan Framework. The source of the dedicated funds is the remainder of \$300,000 appropriated in 2004 to develop and implement a long-term aquifer management plan. The Water Management Fund is continuously appropriated to the Water Board so appropriations do not lapse. Interest on unspent balances accrues to the General Fund.

## Millennium Fund

The Joint Millennium Fund Committee recommended that nine projects be funded with the annual distribution from the tobacco settlement moneys for fiscal year 2008. In **S1210**, the Joint Finance-Appropriations Committee and the Legislature supported the recommendation with the distribution of \$2,533,600 on a one-time basis as follows:

- ✓ \$500,000 to the Public Health Districts to provide prevention and smoking cessation services to all Idaho citizens, with primary emphasis on youth and pregnant women.
- ✓ \$500,000 to the Physical Health Services Program in the Department of Health and Welfare for targeted tobacco counter-marketing programs.
- ✓ \$420,000 to the Idaho Supreme Court for youth courts and the status offender services program.
- ✓ \$94,000 to Idaho State Police to offset the cost of youth tobacco investigations.
- ✓ \$300,000 to the State Board of Education for a study to determine the need and feasibility of increased medical education opportunities in Idaho.
- ✓ \$416,700 to Family Medical Residency Programs to expand family practice residency in Idaho.
- ✓ \$82,100 to the American Lung Association for a tobacco control intervention program targeting primary and secondary school students.
- ✓ \$73,300 to the Boys and Girls Clubs of Idaho for the Positive Action Program, which teaches positive behaviors to school age children and teenagers.
- ✓ \$147,100 to Idaho Drug Free Youth for the ParenTeen Power Lines program, a statewide parent and teen tobacco, drug and alcohol-use prevention and education program.

## Change in Employee Compensation

The Change in Employee Compensation (CEC) Committee adopted the Governor's recommendation of a 5% salary increase for state employees. The funding for the 5% increase was included in all agency appropriation bills for fiscal year 2008. The committee also adopted covering health insurance premium increases for fiscal year 2008 with insurance reserve funds. Intent language regarding this policy was included in the Department of Administration's appropriation bill. The Joint Finance-Appropriations Committee restored funding for the insurance premium holiday that was removed from all agency budgets during the 2007 fiscal year. Finally, the CEC Committee directed the Department of Administration to create a third health insurance plan during fiscal year 2008 to give employees more choice in health benefit coverage. The new plan must modify the health insurance plan by increasing the deductible, reducing covered benefits, or a combination of both, but premiums in the third plan must not increase.

## Liquor Distribution Formula Changes

**H180** amends existing law relating to the distribution of moneys in the state liquor account for the purpose of expanding drug and mental health courts in Idaho. The changes include:

- ✓ Creating the Substance Abuse Treatment Fund in the state treasury.
- ✓ Replacing references to the Alcoholism Treatment Fund with the Substance Abuse Treatment Fund by amending certain sections of Idaho Code.
- ✓ Increasing the annual distribution from the liquor account to the Substance Abuse Treatment Fund from \$1,200,000 to \$2,080,000, for an increase of \$880,000.
- ✓ Providing for the annual distribution of \$680,000 from the liquor account to the Drug Court, Mental Health Court, and Family Court Services Fund for the purpose of court coordination and drug testing.
- ✓ Creating the Drug and Mental Health Court Supervision Fund in the state treasury.
- ✓ Providing for the annual distribution of \$440,000 from the liquor account to the Drug and Mental Health Court Supervision Fund for the purpose of offender supervision by the Idaho Department of Correction.

It is estimated that these changes will make it possible for an additional 275 offenders to be diverted to drug and mental health courts in fiscal year 2008. The fiscal impact is an annual reduction of \$2 million in the amount that is distributed to the General Fund. There is no impact on the distribution of funds to cities and counties.